B. The Exchanges Contained Within the Company's Study Area

II. The Company Has Used and Will Use Universal Service Support Only for the Intended Purpose

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service Support ("USF") only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Pursuant to Section 54.314 of the FCC's rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1 stating that all federal high-cost support provided to such carriers within the state "was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." ETCs not designated by the state must file similar certifications with the FCC.

In its USF/ICC Transformation Order, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a "rigorous examination of the factual information" contained in the annual Section 54.313 reports, of which the

five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers' support has been used and will be used only for the purpose for which the support was intended. The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated. In this context, the Commission stated, " in light of the public interest obligations we adopt in this Order, a key component of the Section 254(E) certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.

Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. Magazine Telephone Company depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

Accordingly, given the critical role the network improvement plan and the progress reports will have in the annual Section 254(e) certification process, Magazine Telephone Company's plan and progress reports will demonstrate not only how MAGTEL has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

#### III. The Company's Five-Year Network Improvement Plan

When the Commission adopted its five-year plan requirements for FCC designated ETCs in its 2005 ETC Order, it set forth the following criteria as to how the ETC is to describe with "specificity" the proposed improvements or upgrades to the ETC's network throughout its service area:

(1)how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the improvements will be made; and (4) the estimated population that will be served as a result of the improvements.

In that order, the FCC clarified that service quality improvements in the five-year plan" do not necessarily require additional construction of network facilities." Accordingly, the improvements listed in the plan may be projects related to the expansion of the network (one or multiple service), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports and replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state 'recipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned the specific areas, the five-year plan should so indicate." The instructions also require that in subsequent annual progress reports which must include the total amount of universal support received must provide this information "broken out separately by the amount spent on capital expenses and the amount spent on operating expenses."

Accordingly, the Company's five-year plan separately provides both capital expenditures and operating expenses.

A. The Company's Major Network Improvement Projects

#### **B.** How These Projects Will Improve the Network

Below is a detailed description of each project listed in Part A.

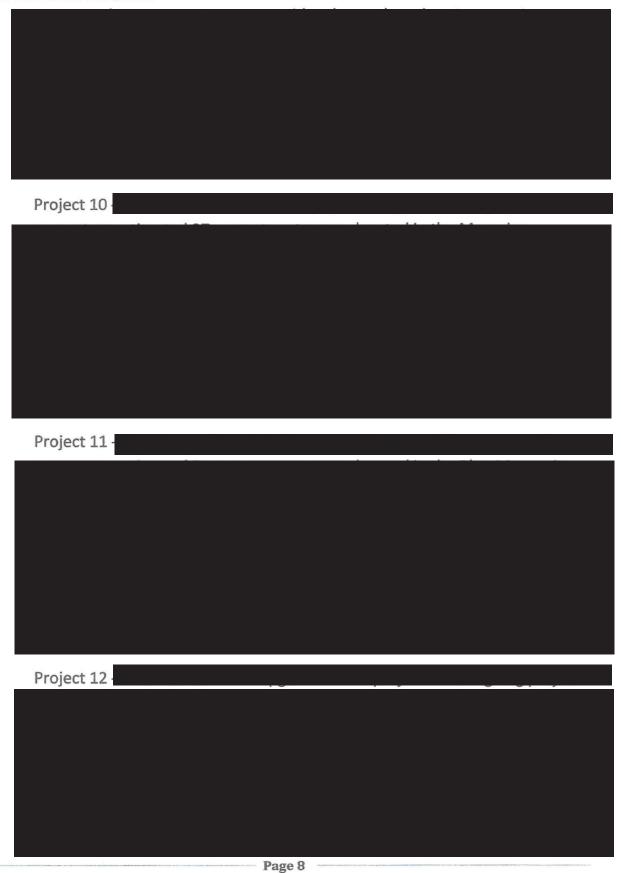


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Project 13
Project 14
Project 13 -



Study Area Code Study Area Name Company Contact Name Contact Telephone Namber Contact Email Address

401710
Magazine Telephone Company
Chris Stone
479-969-2211

Voice, Broadband Both, etc.																
Part 32 Account																
Total Dollars																
Population(1)																
Areas																
Completion																
Start Date																
Project	Magazine Central Office Calix Upgrade	Magazine West Site Calix Upgrade	2015 Annual Plant Upgrades	Magazine North Site Calix Upgrade	Magazine South Site Calix Upgrade	2016 Annual Plant Upgrades	Sugar Grove Site Calix Upgrade	Blue Mountain Site Calix Upgrade	2017 Annual Plant Upgrades	Franklinville Site Calix Upgrade	Waveland Site Calix Upgrade	2018 Annual Plant Upgrades	Reveille Site Calix Upgrade	County Line Site Calix Upgrade	2019 Annual Plant Upgrades	
Project #	H	2	m	4	S.	9	7	00	a	10	11	12	13	14	15	

Study Area Code 401710
Study Area Name Magazine Telephone Company
Company Contact Nam Chris Stone
Contact Telephone Nun 479-969-2211
Contact Email Address magtel@magtel.com

Part B: 5-Year Proposed Capital Expenditures and Operating Expenses

	Reg	ulated Capita	al Expenditu	Regulated Capital Expenditure (CapEX) Projections	ojections			
Account	Description	2014	2015	2016	2017	2018	2019	Total Projected CapEx 2015-2019
2111 & 2121	2111 & 2121   Land & Building							
2112	Vehicles							
2122-2124	Support Assets							
2210	Switching Equipment							
2232	Circuit Equipment							
2410	Cable & Wire Facilities							
1220	Materials & Supplies							
	Total Capital Expenditures							

	Total Operating Expenses 2015- 2019														
collans presidenti primari dell'	2019														
	2018														
Projections	2017														
Regulated Operating Expenditure (OpEx) Projections	2016														
ting Expendi	2015														
lated Opera	2014														
Regu	Operating Expenses		Switching Maintenance	COE Transmission Maintenance	Cable & Wire Facilities	Non-Specific (Testing, Plant Op.,	Engineering)	General Support Depreciation	Switching Depreciation	Circuit Equip Depreciation	Cable & Wire Depreciation	Customer Operations	Corporate Operations	Ad Valorem Expense	Total Operating Expenses
	Account	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	6210	6230	6410		6530	6561-2110	6561-2210	6561-2230	6561-2410	6610-6620	6711-6720	7240	